



Rural Telephone Coalition

January 7, 1997

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Federal Communications Commission
Office of Secretary

John S. Morabito
Deputy Chief, Accounting and Audits Division
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

RE: CC Docket No. 96-45
Federal-State Joint Board on
Universal Service:
Cost Proxy Models

Dear Mr. Morabito:

The Rural Telephone Coalition (RTC) is comprised of the National Rural Telecom Association (NRTA), the National Telephone Cooperative Association (NTCA), and the Organization for the Promotion and Advancement of Small Telecommunications Companies (OPASTCO). These associations together represent more than 850 local exchange carriers (LECs) that provide service to rural communities throughout the United States.

The development workshops on the various cost proxy models are very important to these small companies, since the Joint Board recommends that all carriers draw high cost support solely based on the calculations of a not-yet-adopted cost proxy model by the year 2004. The RTC emphasized in its comments that the Commission must recognize the unique circumstances surrounding small and rural companies and carefully consider rural issues before implementation of a proxy-based mechanism for rural LECs begins. In that regard, the RTC looks forward to the workshops for refinement and modification of the proposed models.

The RTC agrees with the Commission and the Joint Board that the issues raised in the December 12, 1996, *Public Notice* must be addressed before any model is adopted for use by any carriers. The RTC also recognizes that a separate proceeding will be held to tailor a proxy to rural local exchange carrier needs. However, it is essential that the general proxy development phase

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generate enough information for full assessment of impacts. Accordingly, the RTC would like proponents of the various models to address some additional issues. The Joint Board states in its proxy evaluation criteria that the model must include the capability to modify the critical assumptions and engineering principles. However, no specific details regarding scheduled updates are requested. Do the model's proponents have a plan for continued update and/or revision to the model inputs or to the model itself? Further, will there be some provision for updating census data in years between data collection? Will there be an opportunity to reflect on individual local exchange carrier data within the proxy model?

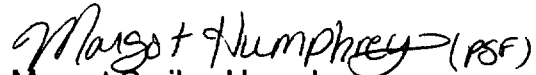
In addition, the RTC is interested in how the model will address differing levels of market share. As the industry moves successfully toward competition and develops into markets of multiple network providers, levels of market share will vary. Should the model assume different levels of market share? In what ways does the model account for potential multiple providers?

The RTC appreciates your consideration in these matters.

Sincerely,

Handwritten signature of David Cosson in black ink, followed by the initials (RSF) in parentheses.

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CERTIFICATE OF SERVICE

I, Gail C. Malloy, certify that a copy of the foregoing Comments of the Rural Telephone Coalition in CC Docket No. 96-45 was served on the 7th day of January 1997, by first-class, U.S. Mail, postage prepaid, to the following persons on the attached list:



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